

30-015-39634

ONSHORE ORDER NO. 1  
Chesapeake Operating, Inc.  
Delaware Ranch 11 Federal Com 1H  
SL: 250' FNL & 400' FEL, 14-26S-28E  
BL: 330' FNL & 400' FEL, 11-26S-28E  
Eddy County, New Mexico

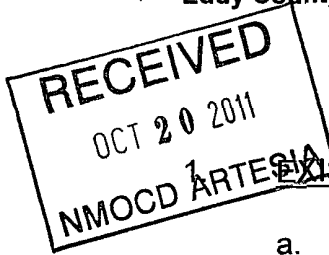
CONFIDENTIAL – TIGHT HOLE

SURFACE USE PLAN

BL: Lease No. NMNM 107374

Page 1

ONSHORE OIL & GAS ORDER NO. 1  
Approval of Operations on Onshore  
Federal and Indian Oil and Gas Leases



EXISTING ROADS

- a. Existing county and lease roads will be used to enter proposed access road.
- b. Location, access, vicinity plats and lease roads attached hereto. See Exhibits A-1 to A-5.

2. PLANNED ACCESS ROADS

- a. The proposed access road will be 253.2' in length and 14' in travel way width with a maximum disturbance area of 30' will be used, and in accordance with guidelines set forth in the BLM Onshore Orders. Two turnouts are expected.
- b. In order to level the location, cut and fill will be required. Please see attached Well Location and Acreage Dedication Plat – Exhibits A-1 to A-4.
- c. A locking gate will be installed at the site entrance.
- d. Any fences cut will be repaired. Cattle guards will be installed, if needed.
- e. Surface disturbance and vehicular travel will be limited to the approved location and approved access route. Any additional area needed will be approved in advance.
- f. Driving directions from the junction of Hwy 285 and Long Horn, go Easterly on Long Horn for 0.7 miles to proposed lease road.

3. LOCATION OF EXISTING WELLS WITHIN A 1-MILE RADIUS OF THE PROPOSED LOCATION – see Exhibit B.

4. LOCATION OF PRODUCTION FACILITIES

It is anticipated that production facilities will be located on the well pad and product to be sold at the wellhead and/or tank battery. An allocation meter will be installed on location. Plan to connect to an existing Southern Union gas gathering line. Their line is located about  $\frac{3}{4}$  of a mile south of the well.  
– See Exhibit C

5. LOCATION AND TYPE OF WATER SUPPLY

Water will be obtained from a private water source. Chesapeake Operating, Inc. will ensure all proper notifications and filings are made with the state.

6. CONSTRUCTION MATERIALS

Construction materials may be used from Section 26-25S-27E. If materials are not available within section then material (i.e. caliche) will be acquired from private or commercial sources.

7. METHODS FOR HANDLING WASTE DISPOSAL

A closed system will be utilized consisting of above ground steel tanks. All wastes accumulated during drilling operations will be contained in a portable trash cage and removed from location and deposited in an approved sanitary landfill.

8. ANCILLARY FACILITIES

None

9. WELLSITE LAYOUT

The proposed site layout plat is attached showing the Latshaw Rig #6 orientation and equipment location. See Exhibit D.

10. PLANS FOR RECLAMATION OF THE SURFACE

The location will be restored to as near as original condition as possible. Reclamation of the surface shall be done in strict compliance with the existing BLM and New Mexico Oil Conservation Division regulations.

Backfilling leveling, and contouring are planned as soon as the drilling rig and steel tanks are removed. Wastes and spoils materials will be hauled off to an approved landfill for disposal after drilling is completed. If production is obtained, the unused area will be restored as soon as possible. The rehabilitation will begin after the drilling rig is removed.

11. MINERAL OWNERSHIP

United States of America  
Department of Interior  
Bureau of Land Management

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**SURFACE USE PLAN**

BL: Lease No. NMNM 107374

Page 3

**SURFACE OWNERSHIP**

Delaware Ranch Inc.  
1304 W. Riverside Dr.  
Carlsbad, NM 88220

**(Chesapeake Operating, Inc. has an agreement with the surface owner)**

12. **ADDITIONAL INFORMATION**

A Class III cultural resource inventory report was prepared by Boone Archaeological Services, Carlsbad, New Mexico for the proposed location. A copy of the report has been sent to the BLM office under separate cover.

**Chesapeake Operating, Inc. agrees to be responsible under the terms and conditions of the lease for the operations conducted upon the lease lands.**

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Page 4

13. OPERATOR'S REPRESENTATIVES

**Drilling and Completion Operations**

**District Manager**

Dave Wittman  
P.O. Box 18496  
Oklahoma City, OK 73154  
405-935-4100 (Office)  
405-990-8697 (Cell)  
[dave.wittman@chk.com](mailto:dave.wittman@chk.com)

**Sr. Drilling Engineer**

Yemi Ajijolaiya  
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Oklahoma City, OK 73154  
405-935-6802 (Office)  
405-625-5468 (Cell)  
[yemi.ajijolaiya@chk.com](mailto:yemi.ajijolaiya@chk.com)

**Field Superintendent**

Bud Cravey  
2010 Rankin Hwy  
Midland, TX  
432-687-2992, x 86151 (Office)  
432-575-238-7293 (Cell)  
[bud.cravey@chk.com](mailto:bud.cravey@chk.com)

**Sr. Asset Manager**

Jeff Finnell  
P.O. Box 18496  
Oklahoma City, OK 73154  
405-935-4347 (Office)  
405-919-3305 (Cell)  
[jeff.finnell@chk.com](mailto:jeff.finnell@chk.com)

**Geoscience**

Robert Martin  
P.O. Box 18496  
Oklahoma City, OK 73154  
405-935-4985 (Office)  
405-849-4985 (Cell)  
[robert.martin@chk.com](mailto:robert.martin@chk.com)

**Geoscience Manager - Permian**

David Godsey  
P.O. Box 14896  
Oklahoma City, OK 73154  
405-935-7995 (Office)  
405-618-0474 (Cell)  
[david.godsey@chk.com](mailto:david.godsey@chk.com)

**District Land Coordinator**

Craig Barnard  
P.O. Box 18496  
Oklahoma City, OK 73154  
405-879-8401 (Office)  
[craig.barnard@chk.com](mailto:craig.barnard@chk.com)

**Landman**

Justin Zerkle  
P.O. Box 18496  
Oklahoma City, OK 73154  
405-767-4925 Office  
[justin.zerkle@chk.com](mailto:justin.zerkle@chk.com)

**Sr. Regulatory Compliance Specialist**

Linda Good  
P.O. Box 18496  
Oklahoma City, OK 73154  
405-935-4275 (Office)  
405-849-4275 (Fax)  
[linda.good@chk.com](mailto:linda.good@chk.com)

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Eddy County, New Mexico

CONFIDENTIAL – TIGHT HOLE  
Lease Contract No. NMNM 107374

OPERATOR CERTIFICATION

CERTIFICATION

I hereby certify that I, or someone under my direct supervision, have inspected the drill site and access route proposed herein; that I am familiar with the conditions which currently exist; that I have full knowledge of state and Federal laws applicable to this operation; that the statements made in this APD package are, to the best of my knowledge, true and correct; and, that the work associated with the operations proposed will be performed in conformity with this APD package and the terms and conditions under which it is approved. I also certify that I, or the company I represent, am responsible for the operations conducted under this application. These statements are subject to the provisions of 18 U.S.C. 1001 for the filing of a false statement.

Executed this 8<sup>th</sup> day of September, 2010.

Name: 

Bud Cravey – Sr. Field Representative

Address: 2010 Rankin Highway, Midland, TX 78701

Telephone: 432-238-7293

E-mail: bud.cravey@chk.com

The Surface Owner hereby covenants and agrees to settle with the surface tenant of the property, if any, and agrees to indemnify and hold the Operator harmless from any and all claims by such tenant for surface and location damages affecting the property.

The foregoing sets out the entire agreement between Surface Owner and Operator, and supersedes any prior oral or written agreements or negotiations not set out in writing herein or in the oil and gas lease covering the above described lands. No provisions of this agreement shall be modified, altered or waived except by written amendment executed by the parties or their representatives as set forth below.

This agreement shall be binding upon the successors and assigns of the parties hereto and shall be deemed to be a covenant running with the lands described above.

IN WITNESS WHEREOF, this instrument has been executed by the undersigned the 9 day of September, 2011.

SURFACE OWNER

Waylon Perry

By: Waylon Perry  
Waylon Perry

OPERATOR

CHESAPEAKE OPERATING, INC.

By: Randall Rodriguez <sup>KT</sup>  
Randall Rodriguez  
Manager - Field, Western Division

MEMORANDUM OF SURFACE DAMAGE RELEASE

STATE OF NEW MEXICO        )  
                                  )     KNOW ALL MEN BY THESE PRESENTS:  
COUNTY OF EDDY            )

NOTICE IS HEREBY GIVEN:

WHEREAS, Waylon Perry ("Surface Owner"), whose address is P.O. Box 24, Cherokee, TX 76832 and Chesapeake Operating Inc., an Oklahoma corporation, ("Operator"), whose address is P.O. Box 18496, Oklahoma City, Oklahoma 73154 entered into that certain Surface Damage Release and Grant of Surface Easement ("Agreement") dated September 9, 2011. The Agreement grants to Operator, by Owner, an easement to enter upon and use certain lands in Eddy County, New Mexico, to wit:

**Legal Description:** Section 14, Township 26 South, Range 28 East,  
N.M.P.M. Eddy County, NM.

WHEREAS as used in the Agreement and herein, the term "oil, gas, and mineral operations" shall include, without limitation, drilling, completing, and producing one or more oil, gas and minerals wells and all operations necessary for the exploration (by geophysical or other methods), production, processing, gathering, and transportation of oil, gas and minerals, together with rights-of-way across the Lands or other lands necessary to construct and maintain one or more access roads, well sites, tank batteries, pipelines, and any other facilities in connection with the oil, gas and mineral wells to be drilled by Operator. This grant of easement on the Lands, including all rights associated therewith, shall be a covenant running with the Lands

NOW THEREFORE, the purpose of this Memorandum is to give notice of the Agreement and to give notice that all terms and conditions of said Agreement are incorporated herein as if set out in full.

IN WITNESS WHEREOF, this instrument is executed effective the 9 day  
of September, 2011.

**SURFACE OWNER:**

Waylon Perry

BY: Waylon Perry  
Waylon Perry

**OPERATOR:**

CHESAPEAKE OPERATING, INC.

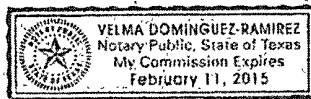
BY: Randall Rodriguez ST  
Randall Rodriguez  
Manager - Field, Western Division

**ACKNOWLEDGEMENTS**

STATE OF TX )  
COUNTY OF Reeves )

BEFORE me, the undersigned, a Notary Public in and for said County and State, on this 4 day of Sept, 2011, personally appeared Waylon Perry, to me known to be the identical person who executed the within and foregoing instrument, and acknowledged to me that he executed the same as his free and voluntary act and deed, for the uses and purposes therein set forth.

Given under my hand and seal the day and year last above written.



Velma Dominguez-Ramirez  
Notary Public in and for the State of TX  
Velma Dominguez-Ramirez  
(Notary's printed name and ID # or Bar #)

My Commission Expires:

STATE OF OKLAHOMA )  
COUNTY OF OKLAHOMA )

BEFORE me, the undersigned, a Notary Public in and for said County and State, on this 2nd day of September, 2011, personally appeared Randall Rodrigue, Manager-Field, Western Division of Chesapeake Operating, Inc., to me known to be the identical person who subscribed the name of the maker thereof to the foregoing instrument and acknowledged to me that he executed the same as his free and voluntary act and deed and as the free and voluntary act and deed of such corporation, for the uses and purposes therein set forth.

Given under my hand and seal the day and year last above written.

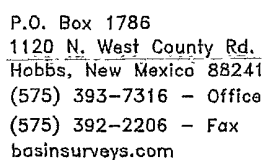
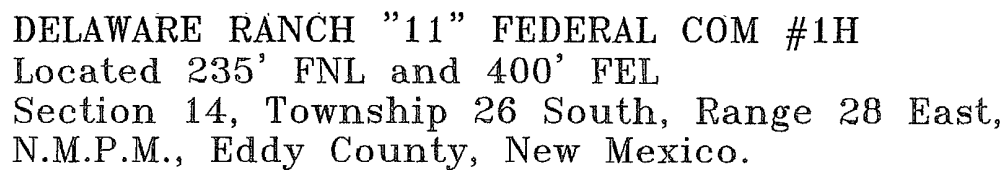


Randi Rex  
Notary Public in and for the State of Oklahoma  
Randi Rex # 11001618  
(Notary's printed name and ID # or Bar #)

My Commission Expires:

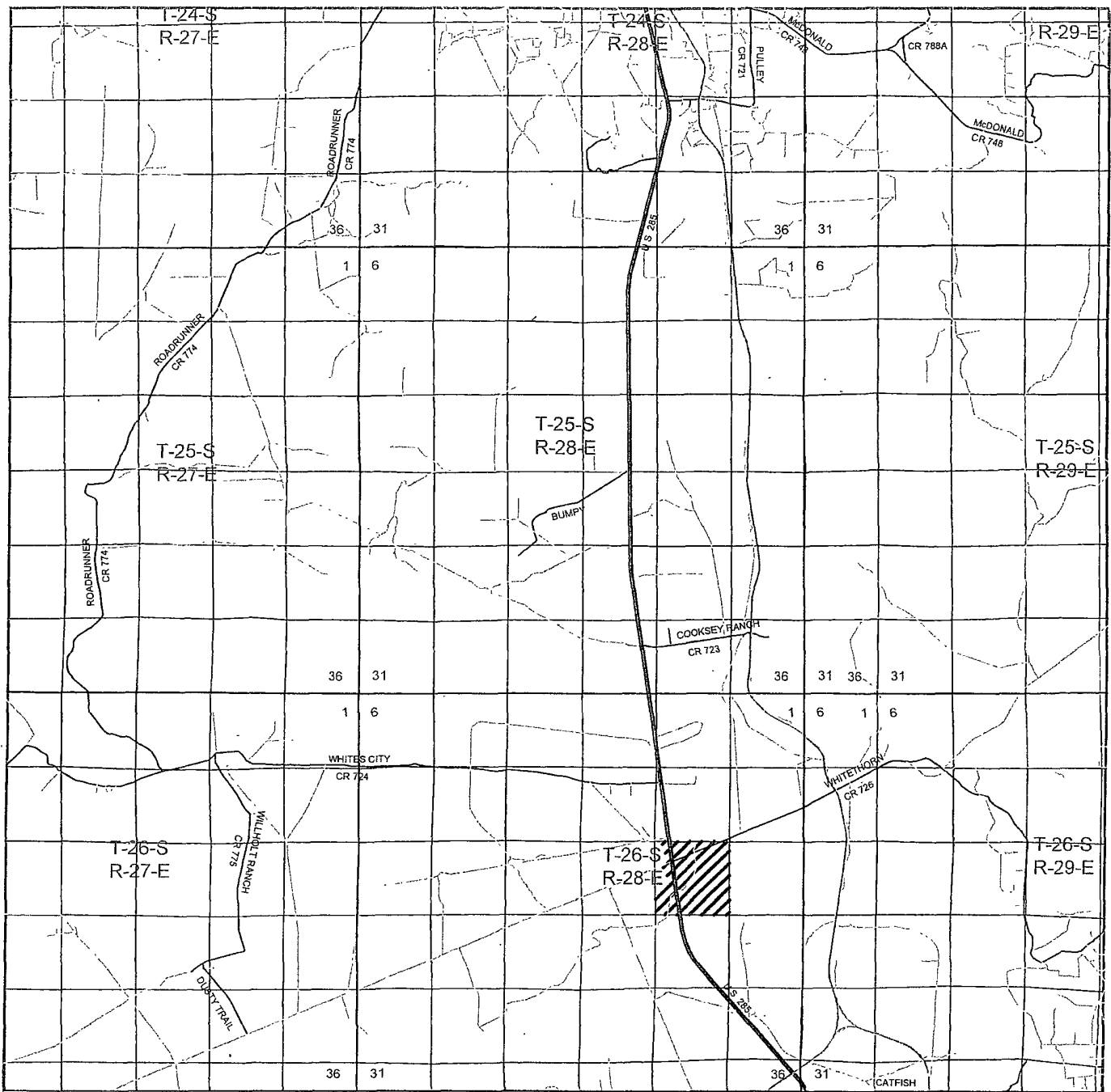
02/24/15



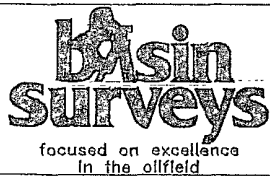


Date: 06-22-2010

EXHIBIT A-3



DELAWARE RANCH "11" FEDERAL COM #1H  
 Located 235' FNL and 400' FEL  
 Section 14, Township 26 South, Range 28 East,  
 N.M.P.M., Eddy County, New Mexico.



P.O. Box 1786  
 1120 N. West County Rd.  
 Hobbs, New Mexico 88241  
 (575) 393-7316 - Office  
 (575) 392-2206 - Fax  
 basinsurveys.com

W.O. Number: JMS 22762

Survey Date: 06-17-2010

Scale: 1" = 2 Miles

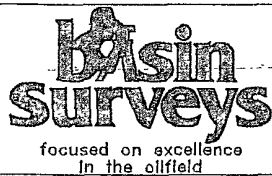
Date: 06-22-2010

CHESAPEAKE  
 OPERATING CO.

EXHIBIT A-4



DELAWARE RANCH "11" FEDERAL COM #1H  
 Located 235' FNL and 400' FEL  
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 N.M.P.M., Eddy County, New Mexico.



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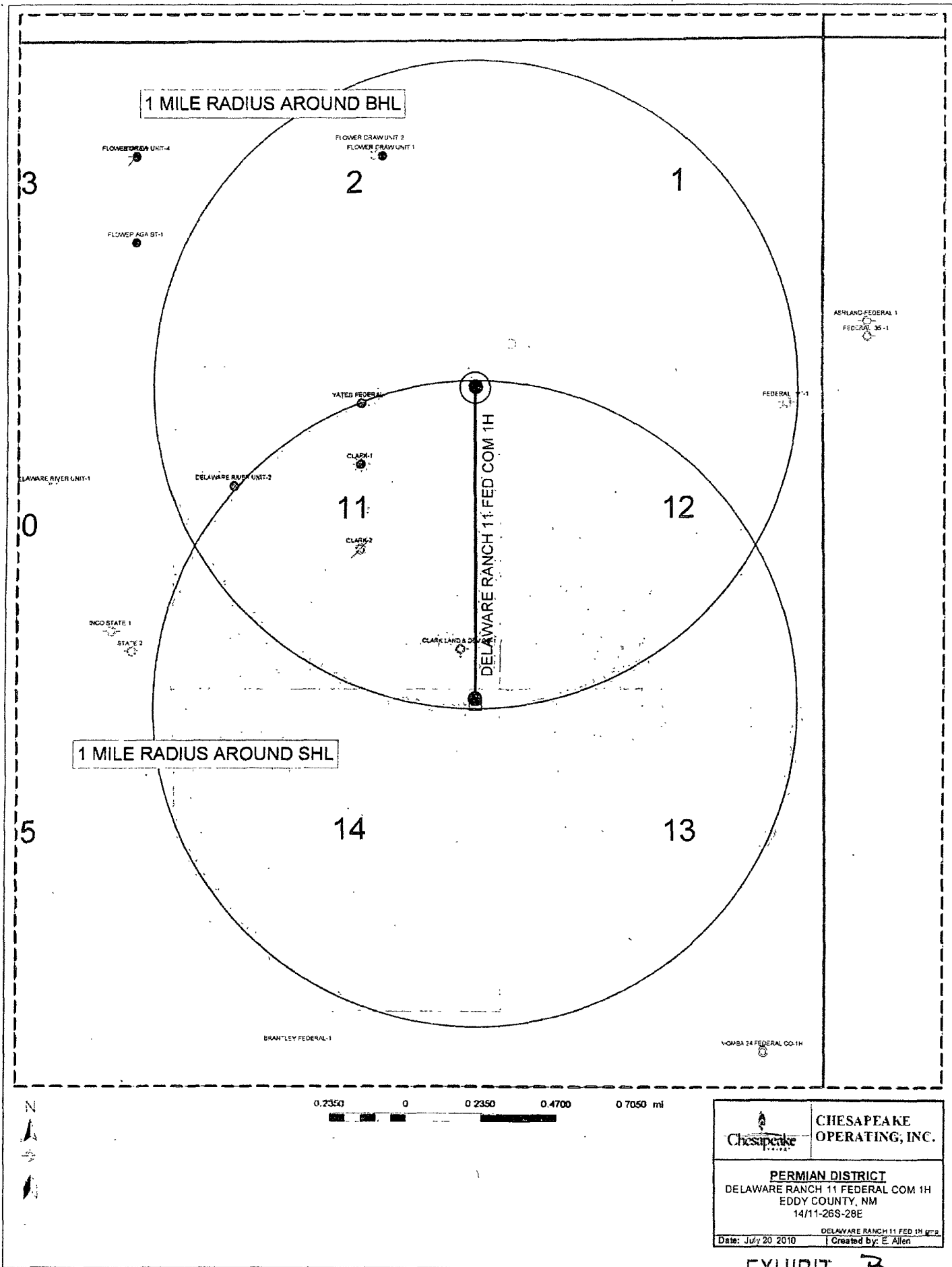
W.O. Number: JMS 22762

Scale: 1" = 2000'

YELLOW TINT - USA LAND  
 BLUE TINT - STATE LAND  
 NATURAL COLOR - FEE LAND

CHESAPEAKE  
 OPERATING CO.

EXHIBIT A-5



1 MILE RADIUS AROUND BHL

FLOWER CREEK UNIT-4

FLOWER CREEK UNIT 3  
FLOWER CREEK UNIT 1

FLOWER AGA ST-1

ASHLAND FEDERAL 1  
FEDERAL 35-1

YATES FEDERAL

FEDERAL 17-1

DELAWARE RIVER UNIT-1

DELAWARE RIVER UNIT-2

CLARK-1

CLARK-2

INDO STATE 1

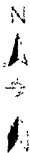
STATE 2

CLARK LAND & DIV

1 MILE RADIUS AROUND SHL

BRANTLEY FEDERAL-1

WOMBA 24 FEDERAL CO-1H



0.2350 0 0.2350 0.4700 0.7050 mi



CHESAPEAKE  
OPERATING, INC.

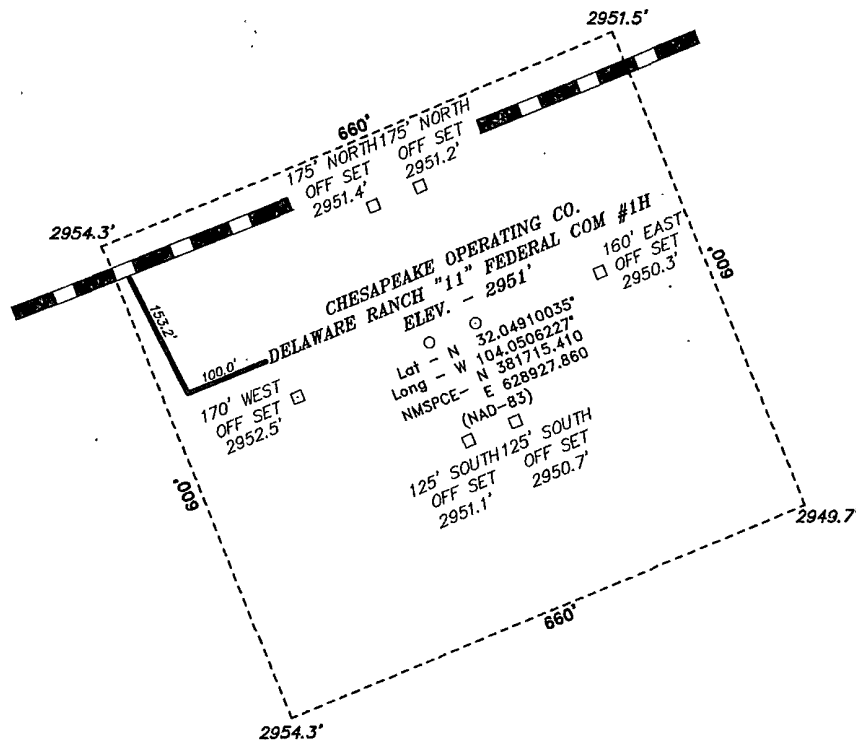
PERMIAN DISTRICT  
DELAWARE RANCH 11 FEDERAL COM 1H  
EDDY COUNTY, NM  
14/11-26S-28E

Date: July 20 2010

DELAWARE RANCH 11 FED 1H  
Created by: E. Allen

EXHIBIT B

SECTION 14, TOWNSHIP 26 SOUTH, RANGE 28 EAST, N.M.P.M.,  
EDDY COUNTY, NEW MEXICO.



200 0 200 400 FEET  
SCALE: 1" = 200'

Directions to Location:

FROM THE JUNCTION OF HWY 285 AND LONG HORN,  
GO EASTERLY ON LONG HORN FOR 0.7 MILES TO  
PROPOSED LEASE ROAD.

**BASIN SURVEYS** P.O. BOX 1786 - HOBBS, NEW MEXICO

W.O. Number: 22762 Drawn By: J. SMALL

Date: 06-22-2010 Disk: JMS 22762

**CHESAPEAKE OPERATING CO.**

REF: DELAWARE RANCH "11" FEDERAL COM #1H / WELL PAD TOPO

THE DELAWARE RANCH "11" FEDERAL COM #1H LOCATED 235'

FROM THE NORTH LINE AND 400' FROM THE EAST LINE OF

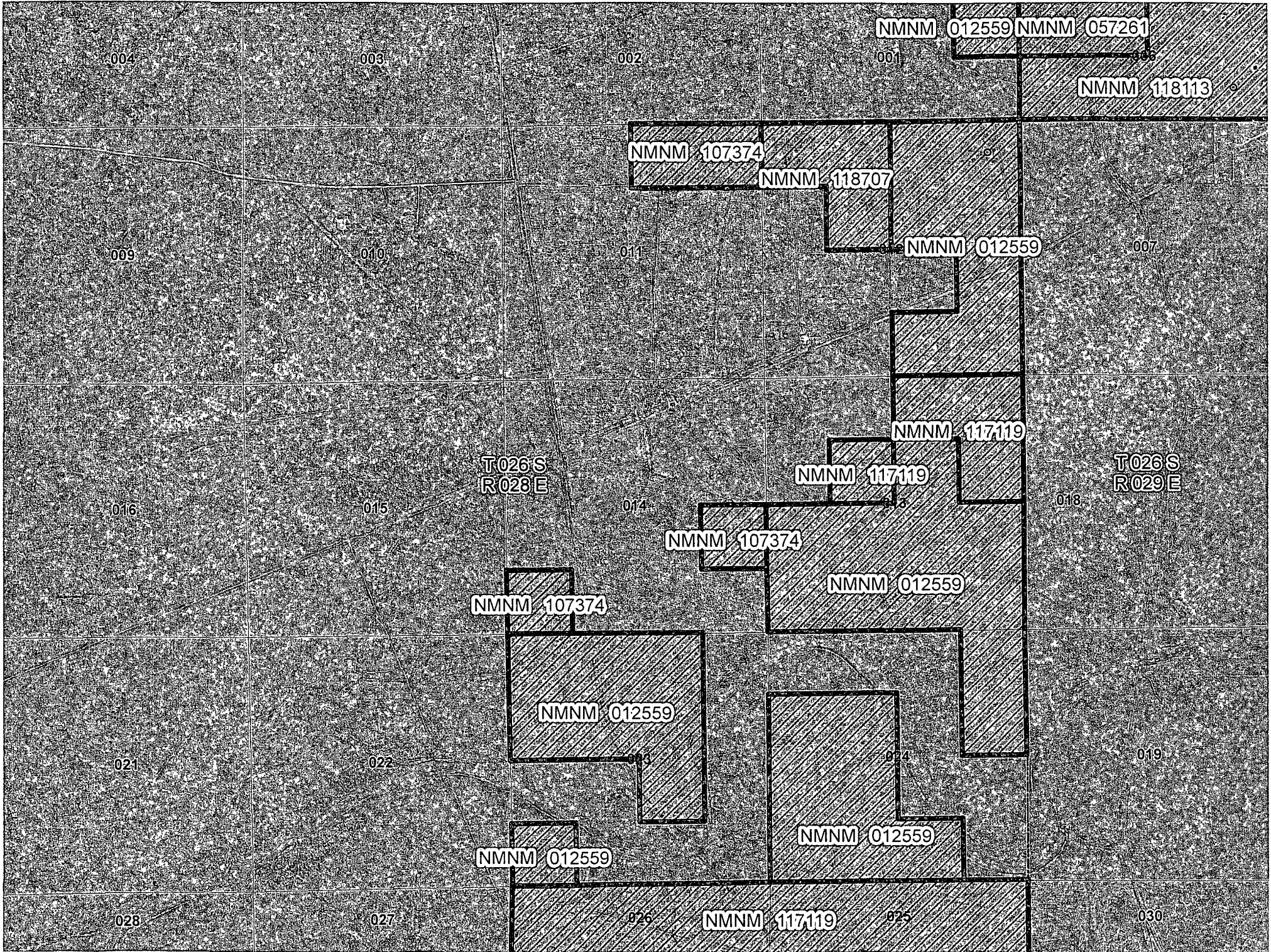
SECTION 14, TOWNSHIP 26 SOUTH, RANGE 28 EAST,

N.M.P.M., EDDY COUNTY, NEW MEXICO.

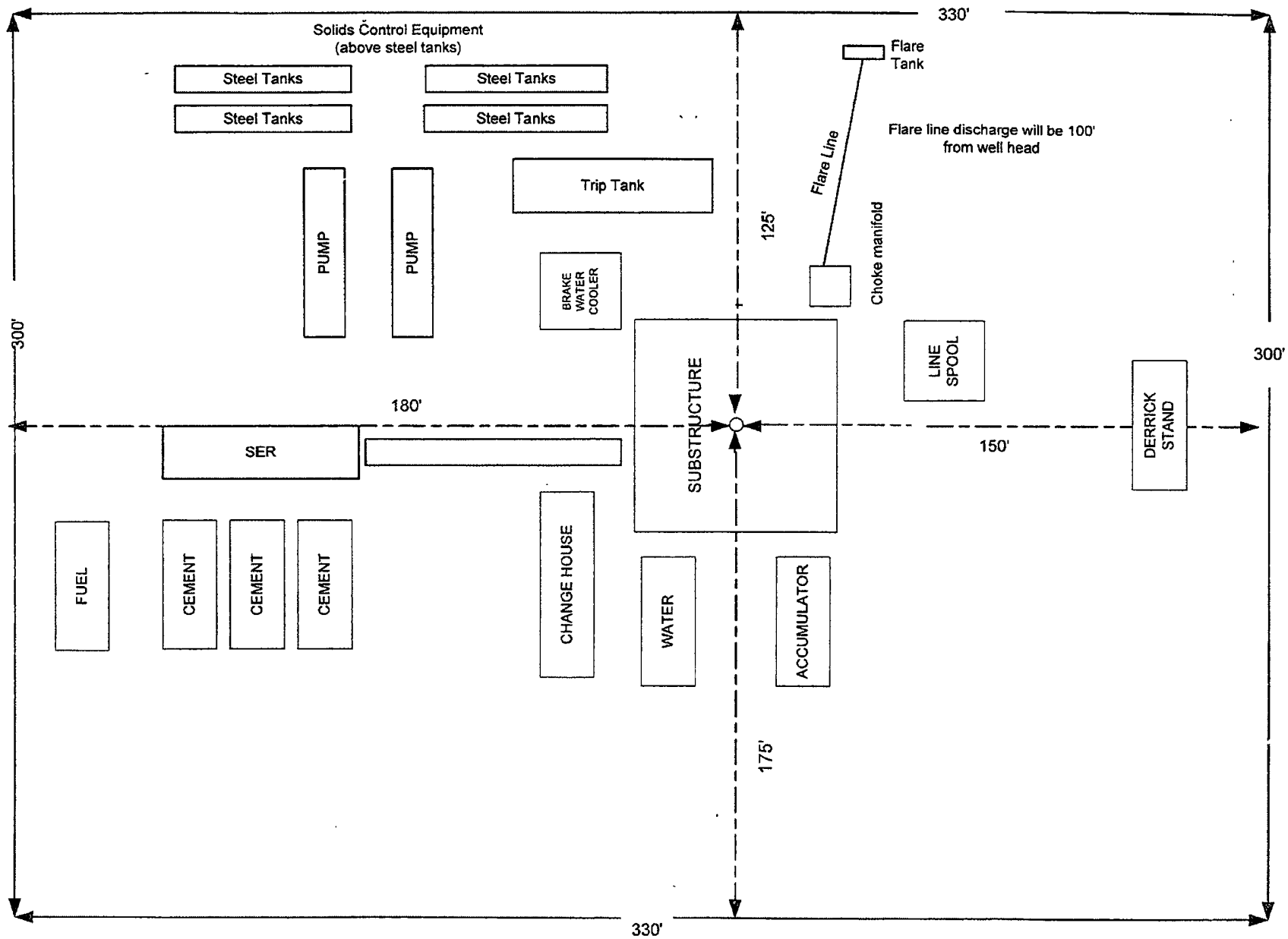
Survey Date: 06-17-2010 Sheet 1 of 1 Sheets

EXHIBIT A-2





Prevailing Winds from the North in Winter and from the South in Summer.



Not to scale

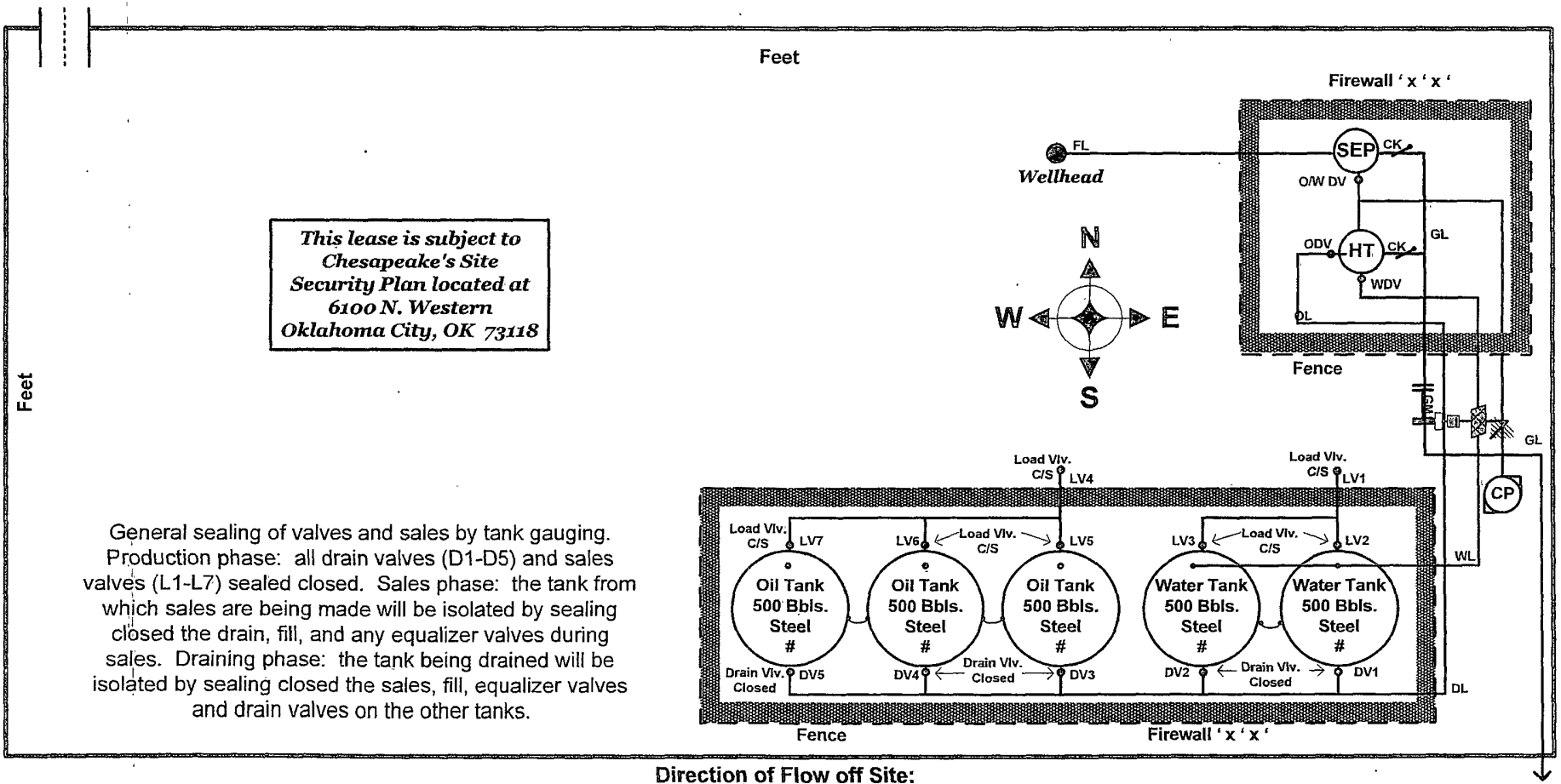
LATSHAW #6

Exhibit D



# Delaware Ranch "11" Federal Com #1H

Lat. N 32.04910035" Long. W 104.0506227"  
 Section 14, Township 26S, Range 28E - 235' FNL & 400' FEL  
 Eddy Co., New Mexico



Prepared by: Jackie Reynolds  
 Date: 7/20/2010

Approved by:  
 Date:

EXHIBIT *C*